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Second
Quarter
2014

Portfolio Review

General

We are generally pleased with our second quarter results. All strategies delivered mid-single digit returns and Large Cap and Small Cap outperformed their respective benchmarks. Having said that, we place no weight on short-term results, good or bad, and neither should you. In fact, we have and will continue to willingly make decisions that negatively impact short-term performance when we think we can lower risk and improve our long-term returns. We encourage you to place more weight on our longer term historical results and a great deal of weight on our long-term prospects. Within this context we are gratified that four of our investment strategies are ranked in the top 1% or 2% of our peers since inception and the fifth is ranked in the top 3%. Our results are detailed in the table below.

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	As of June 30, 2014			
	QTD	YTD	Annualized Since Inception*	Peer Rank Since Inception[1]
Large Cap Composite (Gross)	**6.4%**	**5.5%**	**11.6%**	**Top 2%**
Large Cap Composite (Net)	**6.2%**	**5.1%**	**10.7%**	
Russell 1000 Value Index	5.1%	8.3%	5.3%	
S&P 500 Index	5.2%	7.1%	6.8%	
Small Cap Composite (Gross)	**2.9%**	**1.3%**	**12.9%**	**Top 2%**
Small Cap Composite (Net)	**2.7%**	**0.8%**	**11.8%**	
Russell 2000 Value Index	2.4%	4.2%	5.6%	
Russell 2000 Index	2.1%	3.2%	7.1%	
Focus Composite (Gross)	**4.5%**	**4.4%**	**12.7%**	**Top 1%**
Focus Composite (Net)	**4.3%**	**4.0%**	**11.2%**	
Russell 1000 Value Index	5.1%	8.3%	6.0%	
S&P 500 Index	5.2%	7.1%	6.7%	
Focus Plus Composite (Gross)	**4.4%**	**4.2%**	**11.4%**	**Top 2%**
Focus Plus Composite (Net)	**4.1%**	**3.7%**	**9.9%**	
Russell 1000 Value Index	5.1%	8.3%	5.3%	
S&P 500 Index	5.2%	7.1%	6.8%	
All Cap Composite (Gross)	**4.0%**	**3.9%**	**19.6%**	**Top 3%**
All Cap Composite (Net)	**3.8%**	**3.4%**	**18.4%**	
Russell 3000 Value Index	4.9%	8.0%	14.9%	
Russell 3000 Index	4.9%	6.9%	14.9%	

[1]Peer ranking information sourced from eVestment as of February 6, 2019 using Vulcan Value Partners Large Cap, Focus and Focus Plus Composites versus peer group of US Large Cap Value Equity Universe, Vulcan Value Partners Small Cap Composite versus peer group of US Small Cap Value Equity Universe and Vulcan Value Partners All Cap Composite versus peer group of US All Cap Value Equity Universe since inception ending June 30, 2014. All returns are shown gross and net of fees. Vulcan Value Partners claims compliance with the Global Investment Performance Standards (GIPS®). *Inception date is 3/31/2007 for Large Cap, Small Cap, and Focus Plus Composites. Inception date is 11/30/2007 for Focus Composite. Inception date is 4/1/2011 for All Cap Composite. Past performance is no guarantee of future results. Please see important disclosures at the end of this document.

Portfolio Review (Cont.)

As memories of the financial crisis fade, many investors are becoming less fearful. Consequently, valuation levels are rising for equities and are at absurd levels for bonds. Volatility is approaching all-time lows, not only for equities but for other asset classes as well. Yields on 10-year Spanish bonds dipped below US Treasury equivalents during the month of June. A few years ago, it was widely feared that Spain might exit the EU. Moreover, buyout activity is approaching levels last seen in 2007. Last but not least, the geopolitical environment is much worse today than it has been in many years and the market's response has been to move higher.

Valuation levels are not rising because of faster growth. U.S. corporate profit margins are at all-time highs and the U.S. economy remains frustratingly sluggish with its slowest recovery on record. Europe is basically stagnant as a whole. China's growth is slowing as are emerging markets all over the world. The few bright spots such as the UK and Japan are not enough to offset the larger negatives, so growth remains depressed overall.

Valuation levels are rising because risk premiums are falling. Record low volatility implies that there is less risk. In fact, we think the exact opposite is true. When risk premiums fall and asset prices rise as a result, risk increases along with valuation levels. There is no more return from the underlying fundamentals of the companies. Investors are just paying more for the same level of return. When something unexpected happens, as it inevitably does, complacency will be replaced by fear, risk premiums will rise again and asset prices will fall. So, counter-intuitively, when capital markets imply less risk, we actually think risk is higher than it has been since the financial crisis.

Our response has been to become increasingly defensive. We are taking every opportunity to reduce risk in our portfolios. We would prefer to do so by increasing our margin of safety through deeper discounts to our estimate of fair value. Unfortunately, those discounts are fewer and farther between. Consequently, we are becoming more diversified with smaller position sizes in admittedly less discounted businesses [1]. We could find deeper discounts, but we would have to accept lower quality businesses and we will not compromise on business quality. Given our stringent quality criteria, we are driving our portfolio price to value ratios as low as possible.

So, we own a greater number of highly liquid, outstanding businesses that are compounding their values at double digit rates. We own them at a discount to our estimate of intrinsic worth at a time when most companies we follow are trading at or above our estimate of fair value. When deeper discounts inevitably become available to us we will be well positioned to reallocate capital into larger position sizes. In the meantime, we are enjoying above average value growth with a much larger margin of safety than the market as a whole.

Value growth and market returns are not the same. Over our five-year time horizon, value growth and market returns tend to converge, which is why we filter every decision we make through the lens of our five-year time horizon. In the short run, which can feel like an excruciatingly long time when you are living through it, market returns can deviate quite substantially from the underlying growth in a business's value. In frothier markets, more speculative businesses -- the kind of businesses we have no desire to own-- tend to perform better than the higher quality, steady compounders we do own. These deviations can be uncomfortable for short-term investors, but they

[1] Refers to our diversified strategies. Focus and Focus Plus both are concentrated portfolios that seek to lower risk in a limited number of extremely high quality companies available at steeper discounts.

Portfolio Review (Cont.)

sow the seeds for superior long-term compounding for patient investors. We have no crystal ball, but it is possible that we are entering or soon will enter such an environment. If your time horizon does not match our own, please fire us now.

In the discussion that follows, we generally define material contributors and detractors as companies having a greater than 1% impact on the portfolio.

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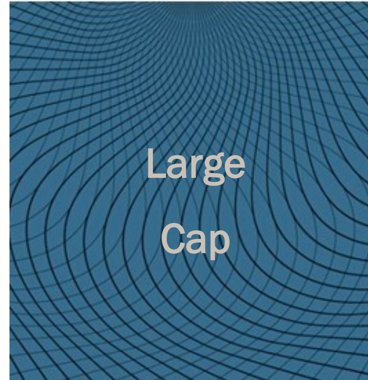

Vulcan Value Partners Large Cap Review

As of June 30, 2014						
			Annualized			
Investment Strategy	QTD	YTD	1 year	3 year	5 year	Since Inception*
VVP Large Cap (Gross)	6.4%	5.5%	29.8%	22.8%	23.1%	11.6%
VVP Large Cap (Net)	6.2%	5.1%	29.0%	22.0%	22.1%	10.7%
Russell 1000 Value Index	5.1%	8.3%	23.8%	16.9%	19.2%	5.3%
S&P 500 Index	5.2%	7.1%	24.6%	16.6%	18.8%	6.8%

*Inception Date March 31, 2007

We bought four new positions during the second quarter and sold one position.

There were no material contributors or detractors to performance in the second quarter.

New purchases include CME Group, Aetna, State Street, and Sabre Corp. CME Group is a company we have owned fairly recently and it was an excellent investment for us. As interest rates rose and the Fed announced that it would begin "tapering" its latest monetary expansion, "QE3", its stock price rallied and its margin of safety was significantly reduced so we sold it. Since we sold it, the value has continued to grow. However, the stock price is down as interest rates have come back down and volatility has been muted so that now an adequate margin of safety exists. Aetna's stock price has been under pressure due to concerns about the Affordable Care Act, but its value has continued to grow. State Street is similar to Bank of New York Mellon, which we also own, but it is growing faster and became available to us at an attractive discount. The same factors influencing CME Group are also impacting State Street. Sabre Corp. has a dominant position in North America supplying mission critical software to airlines and the travel industry.

We have followed all of these companies for many years and watched their values grow steadily. Some were taken private and are now public again. All have strong balance sheets, produce high levels of free cash flow, and are leaders in their respective industries. They are rarely ever cheap. We are pleased to be able to add these exceptional businesses to our portfolios at discounts that improve our margin of safety. As we said in our general comments, the discounts that are available to us are smaller than we have enjoyed over the past several years so our position sizes in these wonderful businesses are less than they would have been a few years ago. Consequently, we are reducing risk through greater diversification instead of through deeper discounts, which would be our preference.

We sold one position, Tesco. Stated simply, Tesco is still a good business, but we thought it was a great business when we bought it roughly two years ago. We want to see our businesses at least meet and, hopefully, exceed the assumptions we are using to value them. If they do not do so in a reasonable period of time (we give them two years) then we re-evaluate our assumptions and the case for the investment. We define a mistake as a company

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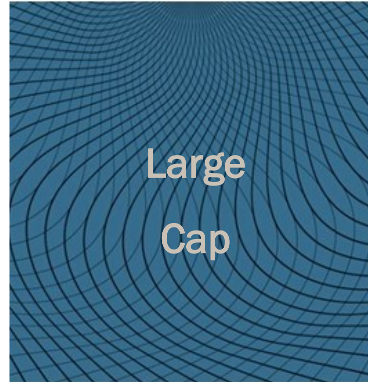

Vulcan Value Partners Large Cap Review (Cont.)

whose value has dropped. We do not define a mistake as a company whose price has dropped, as long as the value is steady or growing. Despite management's best efforts, Tesco did not meet our expectations. Even though it dominates the UK grocery business with a commanding market share lead over its rivals and has an enviable real estate portfolio, the company has not been able to fend off increased competition from low end rivals Aldi and Lidl and from the high end by Waitrose and Whole Foods. When we bought Tesco, the UK was in recession and same store sales were negative. We incorporated those results in our valuation but expected same store sales to turn positive when the UK emerged from recession, which it has. In fact, the UK economy is currently one of the strongest in the developed world. Despite the economic rebound, Tesco's same store sales are still negative and our value has dropped. This kind of risk is why we demand a margin of safety and never knowingly pay fair value for anything. We made a small profit on our investment in Tesco despite the value dropping because it was very discounted when we bought it and the resulting margin of safety lowered our risk of owning it.

Please note that we spent a lot more time in this section of the letter discussing Tesco than we did discussing our successes. In fact, we have not mentioned any successes, even though they have far outweighed our mistakes. We think we become better analysts by studying our mistakes than by dwelling on our successes and allocate our time accordingly.

Aberdeen Asset Management was up 21.1% in the second quarter. Aberdeen Asset Management is a UK based money manager that we have long admired. It became discounted over concerns about its exposure to emerging markets and its ability to close a pending acquisition. The acquisition was immaterial to our value, but it did close. Emerging markets recovered and Aberdeen Asset Management's stock price rose during the second quarter. Both factors are short term in nature and are largely irrelevant to our valuation and decision making process.

Large Cap Strategy			
2Q 2014 Top 5 Performers		2Q 2014 Bottom 5 Performers	
Security	**Return %**	**Security**	**Return %**
Intercontinental Hotels Group	27.9%	Ebay Inc	-9.2%
Apple Inc	21.7%	Express Scripts Holding	-7.6%
Aberdeen Asset Mgmt.	21.1%	Discovery Communications	-5.0%
Aberdeen Asset Mgmt. ADR	20.9%	Time Inc	-3.7%
Marriott International Inc	15.0%	Visa Inc	-1.7%
It should not be assumed that recommendations made in the future will be profitable or will equal the performance of the securities in this list. A company's relative contribution to return for the portfolio may not equal its absolute return and return for other portfolios for the relevant period because of differences in portfolio weights and holding periods.			

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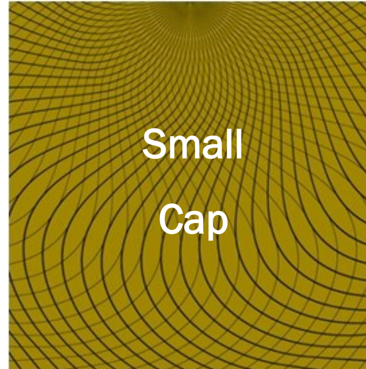

Vulcan Value Partners Small Cap Review

As of June 30, 2014						
			Annualized			
Investment Strategy	QTD	YTD	1 year	3 year	5 year	Since Inception*
VVP Small Cap (Gross)	2.9%	1.3%	21.6%	22.0%	26.3%	12.9%
VVP Small Cap (Net)	2.7%	0.8%	20.5%	20.9%	25.1%	11.8%
Russell 2000 Value Index	2.4%	4.2%	22.5%	14.7%	19.9%	5.6%
Russell 2000 Index	2.1%	3.2%	23.6%	14.6%	20.2%	7.1%

*Inception Date March 31, 2007

In Small Cap in particular, prices have risen faster than values so that the margin of safety has decreased and risk has increased for the broader market as a whole. We have responded by selling companies that have reached fair value and reducing our position in companies whose prices have risen faster than their values. We have reallocated capital to more discounted companies with larger margins of safety. We have also increased diversification as price to value ratios have become less attractive in the aggregate.

We bought three new positions during the second quarter and sold five positions. Nonetheless, diversification has increased compared to last year. We own 37 names in Small Cap today versus 31 names a year ago.

There were no material contributors or detractors to performance in the second quarter.

New purchases include Select Comfort Corp., Exponent, and Sabre Corp.. Select Comfort Corp. sells high end mattresses and related bedding items. It has a unique product and distribution network which differentiates it from its competitors. Exponent provides best of class engineering and scientific consulting through its 400 PHD's currently on staff. Sabre Corp. has a dominant position in North America supplying mission critical software to airlines and the travel industry.

All of our new purchases have strong balance sheets, produce high levels of free cash flow, and are leaders in their respective industries. They are rarely ever cheap. We are pleased to be able to add these exceptional businesses to our portfolios at discounts that improve our margin of safety. As we said in our general comments, the discounts that are available to us are smaller than we have enjoyed over the past several years so our position sizes in these wonderful businesses are less than they would have been a few years ago. Consequently, we are reducing risk through greater diversification instead of through deeper discounts, which would be our preference.

Two of our sales deserve special mention for very different reasons. Iconix was an excellent investment for us that we owned for several years. While we owned it, the value compounded nicely due to good operating results and outstanding capital allocation. Its stock price compounded faster than its value and our margin of safety was reduced. We sold it near our estimate of fair value. We applaud Iconix's management team for doing an outstanding job growing the company's value while we owned it.

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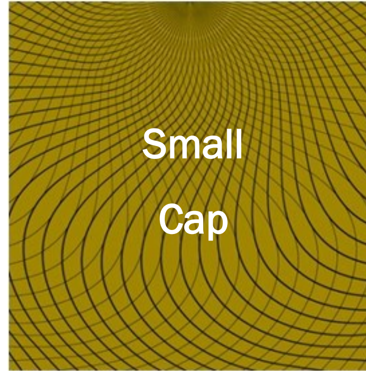

Vulcan Value Partners Small Cap Review (Cont.)

We discussed Neustar in some detail in the first quarter's letter and said, "We will follow our investment discipline with regard to Neustar and with all of our investments." During the second quarter, a letter from the industry trade group charged with making a confidential recommendation to the FCC was inadvertently posted on the FCC's website and then subsequently removed. The recommendation was that Neustar not be awarded the contract to continue to manage telephone numbers in the U.S.. Without the contract, Neustar was trading at our estimate of fair value. The FCC contract process has been poorly administered. It is a good speculation that ultimately they will win the contract, but we are not speculators. Given that we had no margin of safety without the contract, we followed our investment discipline, sold our remaining position in Neustar, and reallocated capital to more discounted businesses.

Small Cap Strategy			
2Q 2014 Top 5 Performers		2Q 2014 Bottom 5 Performers	
Security	Return %	Security	Return %
SAI Global Limited	27.0%	Neustar Inc	-22.3%
Virtus Investment Partners	22.3%	Nu Skin Enterprises Inc	-10.2%
Woodward Inc	21.2%	Conversant Inc	-9.8%
Fair Isaac Corp	15.3%	Navigant Consulting Inc	-6.0%
KMG Chemicals I	14.9%	ACI Worldwide Inc	-5.5%

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Vulcan Value Partners Focus Review

As of June 30, 2014						
			Annualized			
Investment Strategy	QTD	YTD	1 year	3 year	5 year	Since Inception*
VVP Focus (Gross)	4.5%	4.4%	32.8%	22.9%	23.6%	12.7%
VVP Focus (Net)	4.3%	4.0%	31.6%	21.5%	22.0%	11.2%
Russell 1000 Value Index	5.1%	8.3%	23.8%	16.9%	19.2%	6.0%
S & P 500 Index	5.2%	7.1%	24.6%	16.6%	18.8%	6.7%

*Inception Date November 30, 2007

We did not buy any new positions nor did we exit any positions during the second quarter.

There was one material contributor to performance in the second quarter and no material detractors.

Apple was the largest contributor to performance in the second quarter with a 21.9% return. We have written about Apple in prior letters and have applauded them for remaining disciplined in pursuing a long-term focus to protect their high-end brands, and not cater to calls from Wall Street to grow faster by selling cheaper products to chase unprofitable market share. We have also applauded their outstanding capital allocation decisions to sell long-term bonds at extremely low interest rates, and use the proceeds to buy in their shares at significant discounts to our estimate of intrinsic worth and at free cash flow yields multiples higher than the cost of the bonds used to finance the purchases. A year ago, Apple could not do anything right. Today, sentiment has changed markedly and Apple's stock has appreciated from extremely discounted levels, but is still attractive in our opinion. In the meantime, the company continues to produce ample free cash flow and grow its per share value at a steady clip. With this perspective, as long-term investors, we think it is instructive to read what we wrote about Apple exactly one year ago.

From our Second Quarter, 2013 letter:

"During the first quarter letter we promised to provide you with more detail about Apple's brilliant capital allocation decisions to take advantage of the arbitrage between the bond market and the stock market. A couple of weeks after announcing plans to return $100 billion of capital to shareholders over the next three years with an emphasis on share repurchases, Apple sold $17 billion of bonds, the majority of which were long-term fixed rate bonds with 5, 10, and 30-year maturities. The yield on Apple's 10-year bond was 2.44%. On an after-tax basis, Apple's cost of capital on that bond is less than 2%. Apple is using the proceeds from these bonds to repurchase its stock. Apple's stock has an earnings yield of approximately 18% after adjusting for its large net cash position. More importantly, since Apple converts more than 100% of its earnings into free cash flow, its free cash flow yield is higher than its earnings yield. The stock market is pricing Apple as if it will cease to exist in a few years. The bond market expects Apple to be around long enough to repay the principal on its bonds thirty years from now. Apple is

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Vulcan Value Partners Focus Review (Cont.)

borrowing at less than 2% after-tax and reinvesting at 18% after-tax. We, as shareholders, benefit greatly. Apple's stock is extremely discounted because of fears that it will not be able to grow as fast in the future as it has in the past and because of short-term disappointment about the timing of its product release cycle. On the first point, if Apple never grows again but just manages to stagnate, we will make an 18% rate of return based on its current earnings yield. On the second point, Apple is correctly managing its business for the benefit of long-term shareholders instead of short-term speculators. Apple is one of the few companies available to us whose price has declined and whose value has risen. Consequently, Apple is our largest position in all of our strategies except in the Small Cap program (obviously Apple is not a small cap company). Buying more Apple has hurt our results so far in 2013. The same is true for other companies where we have added to our existing positions this year. As investors with a five-year time horizon we think it is a small price to pay to lower risk and improve our long-term prospects."

Focus Strategy			
2Q 2014 Top 5 Performers		2Q 2014 Bottom 5 Performers	
Security	**Return %**	**Security**	**Return %**
Apple Inc	21.9%	Ebay Inc	-9.2%
Dover Corp	11.7%	Discovery Communications	-4.9%
Disney (Walt) Comp	7.1%	Mastercard Inc.	-1.5%
Franklin Resources Inc	7.0%	Visa Inc.	-1.0%
Bank of New York Mellon	6.6%	Oracle Corporation	-0.3%

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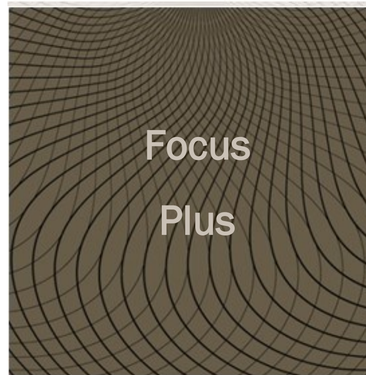

Vulcan Value Partners Focus Plus Review

As of June 30, 2014						
			Annualized			
Investment Strategy	QTD	YTD	1 year	3 year	5 year	Since Inception*
VVP Focus Plus (Gross)	4.4%	4.2%	32.7%	22.1%	23.0%	11.4%
VVP Focus Plus (Net)	4.1%	3.7%	31.2%	20.7%	21.5%	9.9%
Russell 1000 Value Index	5.1%	8.3%	23.8%	16.9%	19.2%	5.3%
S & P 500 Index	5.2%	7.1%	24.6%	16.6%	18.8%	6.8%

*Inception Date March 31, 2007

We did not write any options contracts during the second quarter. Volatility is extremely low, which makes direct purchase and sale of stock more attractive. We use options to lower risk. We also make high, equity like returns when option prices reflect higher levels of implied volatility. If exercised, these options give us the right to purchase stakes in companies we want to own at a lower price than the market price at the time the option was written. We would like for these options to be exercised and have set aside cash for that purpose. We employ no leverage. In effect, we are being paid double-digit returns on our cash while we wait for lower prices and a corresponding larger margin of safety. We also use options to exit positions. Generally, we write covered calls with the strike price being our estimate of fair value. As with our puts, we are being paid to do something we would do anyway at a given price.

We did not buy any new positions nor did we exit any positions during the second quarter.

There was one material contributor to performance in the second quarter and no material detractors.

Apple was the largest contributor to performance in the second quarter with a 21.9% return. We have written about Apple in prior letters and have applauded them for remaining disciplined in pursuing a long-term focus to protect their high-end brands, and not cater to calls from Wall Street to grow faster by selling cheaper products to chase unprofitable market share. We have also applauded their outstanding capital allocation decisions to sell long-term bonds at extremely low interest rates, and use the proceeds to buy in their shares at significant discounts to our estimate of intrinsic worth and at free cash flow yields multiples higher than the cost of the bonds used to finance the purchases. A year ago, Apple could not do anything right. Today, sentiment has changed markedly and Apple's stock has appreciated from extremely discounted levels, but is still attractive in our opinion. In the meantime, the company continues to produce ample free cash flow and grow its per share value at a steady clip. With this perspective, as long-term investors, we think it is instructive to read what we wrote about Apple exactly one year ago.

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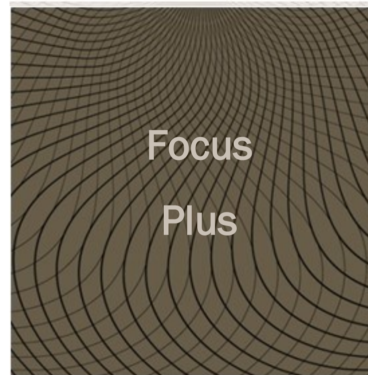

Vulcan Value Partners Focus Plus Review (Cont.)

From our Second Quarter, 2013 letter:

"During the first quarter letter we promised to provide you with more detail about Apple's brilliant capital allocation decisions to take advantage of the arbitrage between the bond market and the stock market. A couple of weeks after announcing plans to return $100 billion of capital to shareholders over the next three years with an emphasis on share repurchases, Apple sold $17 billion of bonds, the majority of which were long-term fixed rate bonds with 5, 10, and 30-year maturities. The yield on Apple's 10-year bond was 2.44%. On an after-tax basis, Apple's cost of capital on that bond is less than 2%. Apple is using the proceeds from these bonds to repurchase its stock. Apple's stock has an earnings yield of approximately 18% after adjusting for its large net cash position. More importantly, since Apple converts more than 100% of its earnings into free cash flow, its free cash flow yield is higher than its earnings yield. The stock market is pricing Apple as if it will cease to exist in a few years. The bond market expects Apple to be around long enough to repay the principal on its bonds thirty years from now. Apple is borrowing at less than 2% after-tax and reinvesting at 18% after-tax. We, as shareholders, benefit greatly. Apple's stock is extremely discounted because of fears that it will not be able to grow as fast in the future as it has in the past and because of short-term disappointment about the timing of its product release cycle. On the first point, if Apple never grows again but just manages to stagnate, we will make an 18% rate of return based on its current earnings yield. On the second point, Apple is correctly managing its business for the benefit of long-term shareholders instead of short-term speculators. Apple is one of the few companies available to us whose price has declined and whose value has risen. Consequently, Apple is our largest position in all of our strategies except in the Small Cap program (obviously Apple is not a small cap company). Buying more Apple has hurt our results so far in 2013. The same is true for other companies where we have added to our existing positions this year. As investors with a five-year time horizon we think it is a small price to pay to lower risk and improve our long-term prospects."

Focus Plus Strategy			
2Q 2014 Top 5 Performers		2Q 2014 Bottom 5 Performers	
Security	**Return %**	**Security**	**Return %**
Apple Inc	21.9%	Ebay Inc	-9.2%
Dover Corp	11.5%	Discovery Communications	-4.9%
Disney (Walt) Company	7.1%	Mastercard Inc	-1.5%
Franklin Resources Inc	7.0%	Visa Inc	-1.0%
Bank of New York Mellon Corp	6.7%	Oracle Corporation	-0.2%

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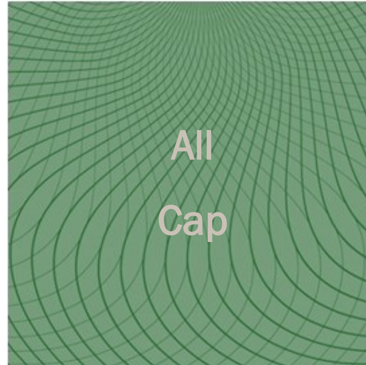

Vulcan Value Partners All Cap Review

As of June 30, 2014						
			Annualized			
Investment Strategy	QTD	YTD	1 year	3 year	5 year	Since Inception*
VVP All Cap (Gross)	4.0%	3.9%	27.3%	**23.1%**	-	19.6%
VVP All Cap (Net)	3.8%	3.4%	26.2%	**21.9%**	-	18.4%
Russell 3000 Value Index	4.9%	8.0%	23.7%	**16.7%**	-	14.9%
Russell 3000 Index	4.9%	6.9%	25.2%	**16.5%**	-	14.9%

*Inception Date April 1, 2011

We purchased five new positions in the second quarter and exited three positions.

There were no material contributors or detractors to performance in the second quarter.

New purchases include Eaton Vance, Enersys, Rovi Corp., Verizon Communications, and NuSkin. All of our new purchases have strong balance sheets, produce high levels of free cash flow, and are leaders in their respective industries. They are rarely ever cheap. We are pleased to be able to add these exceptional businesses to our portfolios at discounts that improve our margin of safety.

We sold Coca-Cocla, Tesco, and Neustar.

It was very difficult to sell Coca-Cola, but we had the opportunity to meaningfully improve our margin of safety by selling the more fully valued Coca-Cola and redeploying the proceeds from the sale to high quality businesses with much larger discounts.

We discussed Neustar in some detail in the first quarter's letter and said, "We will follow our investment discipline with regard to Neustar and with all of our investments." During the second quarter, a letter from the industry trade group charged with making a confidential recommendation to the FCC was inadvertently posted on the FCC's website and then subsequently removed. The recommendation was that Neustar not be awarded the contract to continue to manage telephone numbers in the U.S.. Without the contract, Neustar was trading at our estimate of fair value. The FCC contract process has been poorly administered. It is a good speculation that ultimately they will win the contract, but we are not speculators. Given that we had no margin of safety without the contract, we followed our investment discipline, sold our remaining position in Neustar, and reallocated capital to more discounted businesses.

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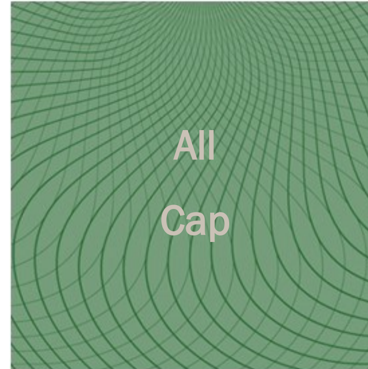

Vulcan Value Partners All Cap Review (Cont.)

We sold one position, Tesco. Stated simply, Tesco is still a good business, but we thought it was a great business when we bought it roughly two years ago. We want to see our businesses at least meet and, hopefully, exceed the assumptions we are using to value them. If they do not do so in a reasonable period of time (we give them two years) then we re-evaluate our assumptions and the case for the investment. We define a mistake as a company whose value has dropped. We do not define a mistake as a company whose price has dropped, as long as the value is steady or growing. Despite management's best efforts, Tesco did not meet our expectations. Even though it dominates the UK grocery business with a commanding market share lead over its rivals and has an enviable real estate portfolio, the company has not been able to fend off increased competition from low end rivals Aldi and Lidl and from the high end by Waitrose and Whole Foods. When we bought Tesco, the UK was in recession and same store sales were negative. We incorporated those results in our valuation but expected same store sales to turn positive when the UK emerged from recession, which it has. In fact, the UK economy is currently one of the strongest in the developed world. Despite the economic rebound, Tesco's same store sales are still negative and our value has dropped. This kind of risk is why we demand a margin of safety and never knowingly pay fair value for anything. We made a small profit on our investment in Tesco despite the value dropping because it was very discounted when we bought it and the resulting margin of safety lowered our risk of owning it.

Please note that we spent a lot more time in this section of the letter discussing Tesco than we did discussing our successes. In fact, we have not mentioned any successes, even though they have far outweighed our mistakes. We think we become better analysts by studying our mistakes than by dwelling on our successes and allocate our time accordingly.

All Cap Strategy			
2Q 2014 Top 5 Performers		2Q 2014 Bottom 5 Performers	
Security	**Return %**	**Security**	**Return %**
Intercontinental Hotels Group	28.0%	Neustar Inc	-22.2%
Apple Inc	21.7%	Nu Skin Enterprises Inc	-14.6%
Aberdeen Asset Mgmt ADR	21.2%	Conversant Inc	-9.8%
Aberdeen Asset Mgmt	21.1%	Ebay Inc	-9.2%
Marriot International Inc	15.0%	ACI Worldwide Inc	-5.7%
It should not be assumed that recommendations made in the future will be profitable or will equal the performance of the securities in this list. A company's relative contribution to return for the portfolio may not equal its absolute return and return for other portfolios for the relevant period because of differences in portfolio weights and holding periods.			

Closing

As markets have risen rather steadily over the past several years and market participants in general have become more complacent, we have become more cautious. It is possible, even likely, that our caution will hurt our short-term performance. We are very comfortable accepting short-term discomfort to protect capital so that we are prepared to take advantage of better opportunities that will inevitably present themselves. We are fortunate to be in partnership with like-minded investors who share our five-year time horizon and provide the patient capital we need to reduce risk first and produce superior long-term returns as a by-product.

We hope that you are enjoying summer and we look forward to updating you again in the fall.

Sincerely,

C.T. Fitzpatrick
Chief Investment Officer

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Second
Quarter
2014

Disclosures

The performance presented is for our Large Cap Composite, Focus Composite, Focus Plus Composite, Small Cap Composite, and All Cap Composite. The model composite portfolio performance figures reflect the deduction of brokerage or other commissions and the reinvestment of dividends and capital gains. Past performance is no guarantee of future results and we may not achieve our return goal. We have presented returns gross and net of fees. Gross of fees returns are calculated gross of management and custodial fees and net of transaction costs. Net of fees returns are calculated net of management fees and transaction costs and gross of custodian fees, taken at the highest applicable fee. The performance figures do not reflect the deduction of any taxes an investor might pay on distributions or redemptions. Our standard fees are presented in Part II of our ADV.

Value is our estimate of the price a willing buyer would pay, and a willing seller would accept, assuming neither was compelled to enter into a transaction. Total return percentages for an individual security is the performance of the security from price at initial purchase date to the price at final sale date. Actual returns for the composites holdings of those securities may differ from total return as the composites rebalanced or changed weights in the individual securities. There may be market or economic conditions which affect our performance, or that of our relevant benchmarks, that may have changed Vulcan Value Partners' views regarding the prospects of any particular investment. It should not be assumed that recommendations made in the future will be profitable or will equal the performance of the securities discussed in this letter. The information provided in this presentation is furnished as of the date shown, and no representation is being made with respect to its accuracy on any future date. Vulcan Value Partners does not assume any duty to update any information in this presentation. Vulcan buys concentrated positions for our portfolios, averaging 5% in our model portfolios, which may make our performance more volatile than that of our benchmark indices, and our performance may diverge from an index, positively or negatively, as a result. Our focus is on long term capital appreciation, so our clients should consider at least a five year time horizon for an investment with Vulcan.

The S&P 500 Index is an unmanaged index of 500 common stocks chosen for market size, liquidity, and industry group representation. It is a market-value weighted index. The Russell 1000® Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 companies with lower price-to-book ratios and lower expected growth values. The Russell 2000® Index includes the 2000 firms from the Russell 3000® Index with the smallest market capitalizations. The Russell 2000® Index Value Index measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values. Index figures do not reflect deductions for any fees, expenses, or taxes. Investors cannot invest directly in an index.

Vulcan Value Partners is an investment advisor registered with the Securities and Exchange Commission under the Investment Advisors Act of 1940. Vulcan focuses on long term capital appreciation; targeting securities purchases that we believe have a substantial margin of safety in terms of value over price and limiting our investments to companies that we believe have sustainable competitive advantages that will allow them to earn superior returns on capital. Vulcan Value Partners claims compliance with the Global Investment Performance Standards (GIPS®). To receive a complete list and description of Vulcan Value Partners' composites and a presentation that adheres to the GIPS standards, please contact Blevins Naff at 205.803.1582 or write Vulcan Value Partners, Three Protective Center, 2801 Highway 280 South, Suite 300, Birmingham, AL 35223.

Large Cap Composite Information: This portfolio strategy invests in companies with larger market capitalizations. Subject to price, any publicly traded company with above average economics that is too large to be included in our small capitalization composite would be a potential investment in this portfolio. A core position is 5% so that theoretically our clients would hold 20 names diversified across various industries. It is very rare that enough companies are sufficiently discounted to warrant this level of concentration so concentration will vary with the price to value ratio. We will invest client assets in positions as small as 1% when price to value ratios are higher. We will not invest client assets in any business that is trading above our estimate of fair value. The composite benchmark is the S&P 500 which is an index of 500 stocks selected based on market size, liquidity, and sector and is designed to provide a broad snapshot of the overall U.S. equity market. New accounts that fit the composite definition are added at the beginning of the first full calendar month for which the account is under management. Closed account data is included in the composite as mandated by the standards in order to eliminate a survivorship bias. The composite was created on March 31, 2007. Portfolios below the minimum asset level of $50,000 are not included in the composite. Effective February 2019, the following returns were restated: 2009 Large Cap composite returns – Gross of Fees changed from 60.26% to 55.80% and Net of Fees changed from 58.67% to 54.25%; 2011 Large Cap composite returns – Gross of Fees changed from 5.88% to 5.23% and Net of Fees changed from 5.15% to 4.51%. All associated inception to date returns, dispersions, and 3 yr ex-post standard deviation calculations have also been updated to reflect these adjustments. Additional information regarding these changes is available upon request.

Disclosures (Cont.)

Focus Composite Information: This portfolio strategy invests in companies with larger market capitalizations. Subject to price, any publicly traded company with above average economics that is too large to be included in our small capitalization composite would be a potential investment in this portfolio. This is a very concentrated portfolio holding between seven and fourteen positions. We will not invest client assets in any business that is trading above our estimate of fair value. The composite benchmark is the S&P 500 which is an index of 500 stocks selected based on market size, liquidity, and sector and is designed to provide a broad snapshot of the overall U.S. equity market. New accounts that fit the composite definition are added at the beginning of the first full calendar month for which the account is under management. Closed account data is included in the composite as mandated by the standards in order to eliminate a survivorship bias. The composite was created on November 30, 2007. Portfolios below the minimum asset level of $50,000 are not included in the composite. Effective February 2019, the following returns were restated: 2009 Focus composite returns – Gross of Fees changed from 66.42% to 60.28% and Net of Fees changed from 63.95% to 57.90%. The dispersion return was also adjusted from 2.40% to 0.66% to reflect the update. All associated inception to date returns, dispersions, and 3 yr ex-post standard deviation calculations have also been updated to reflect these adjustments. Additional information regarding these changes is available upon request.

Focus Plus Composite Information: This portfolio strategy invests in companies with larger market capitalizations. Subject to price, any publicly traded company with above average economics that is too large to be included in our small capitalization composite would be a potential investment in this portfolio. The portfolio is typically invested in between seven and fourteen names. We will use options instead of limit orders to acquire and/or sell the stock. We do not intend to employ any leverage, but will utilize options to sell volatility when it is expensive and buy volatility when it is cheap. We will focus on options which give our clients the right to buy or sell stock in companies at prices that we would buy or sell anyway, and we will generate revenue through option premiums. Generally, we plan to use options instead of buying stock directly when we can earn double digit returns from selling options. We only intend to purchase options under rare circumstances, and to continue to focus on reducing risk through the purchase of qualifying companies at attractive prices. We will not invest client assets in any business that is trading above our estimate of fair value. The composite benchmark is the S&P 500 which is an index of 500 stocks selected based on market size, liquidity, and sector and is designed to provide a broad snapshot of the overall U.S. equity market. New accounts that fit the composite definition are added at the beginning of the first full calendar month for which the account is under management. Closed account data is included in the composite as mandated by the standards in order to eliminate a survivorship bias. The composite was created on March 31, 2007. Portfolios below the minimum asset level of $50,000 are not included in the composite.

Small Cap Composite Information: This portfolio strategy invests in companies with smaller market capitalizations. Subject to price, any publicly traded company with above average economics that is not "large" would be a potential investment in this portfolio. While we do not have any defined cutoffs we use the Russell 2000 as a guide to define small cap, and any small publicly traded company with reasonable economics would be a potential investment in this portfolio. A core position is 5% so that theoretically our clients would hold 20 names diversified across various industries. It is very rare that enough companies are sufficiently discounted to warrant this level of concentration so concentration will vary with the price to value ratio. We will invest client assets in positions as small as 1% when price to value ratios are higher. We will not invest client assets in any business that is trading above our estimate of fair value. The composite benchmark is the Russell 2000 Index which measures the performance of the small-cap segment of the U.S. Equity universe and includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership. New accounts that fit the composite definition are added at the beginning of the first full calendar month for which the account is under management. Closed account data is included in the composite as mandated by the standards in order to eliminate a survivorship bias. The composite was created on March 31, 2007. Portfolios below the minimum asset level of $50,000 are not included in the composite.

All Cap Composite Information: This portfolio strategy invests in companies across all market capitalizations. Generally, positions held in this strategy will also be held in either the Large Cap or Small Cap strategies, though with sometimes differing weights. As with those strategies, a core position in this portfolio is 5% so that theoretically we would hold 20 positions diversified across various industries. Because it is rare that we would find 20 companies meeting our investment guidelines, concentration will vary with the price to value ratios we determine for companies in which we invest. We will invest client assets in positions as small as 1% when price to value ratios are higher. We will not invest client assets in any business that is trading above our estimate of fair value. The composite benchmark is the Russell 3000 Index which measures the performance of the largest 3000 US companies representing approximately 98% of the investable US Equity market. New accounts that fit the composite definition are added at the beginning of the first full calendar month for which the account is under management. Closed account data is included in the composite as mandated by the standards in order to eliminate a survivorship bias. The composite was created on April 1, 2011. Portfolios below the minimum asset level of $50,000 are not included in the composite.

All returns are expressed in US dollars.